



PINCKNEY COMMUNITY SCHOOLS

celebrating lifelong learning

Pinckney, Michigan

FINANCIAL STATEMENTS

For The Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

PINCKNEY COMMUNITY SCHOOLS

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

September 18, 2008

Board of Education
Pinckney Community Schools
Pinckney, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **PINCKNEY COMMUNITY SCHOOLS**, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of **Pinckney Community Schools'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Pinckney Community Schools** as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2008, on our consideration of the Pinckney Community School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the ***Pinckney Community Schools*** basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of ***Pinckney Community Schools***. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of ***Pinckney Community Schools***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Annual Disclosure Document Information was not audited by us, and we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of Pinckney Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$10,795,678 (*net assets*). Of this amount, (\$1,037,591) is (*unrestricted net assets*) and \$3,036,372 is reserved for debt service.
- The government's total net assets increased by \$1,214,749.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,097,564, an increase of \$799,430 in comparison with the prior year. Approximately 19%, or \$779,000, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$794,733, or 2% percent of total general fund expenditures.
- The spending of \$82,214 on school improvements, food service and Applied Tech equipment and vehicles made investments for the future. No new debt was issued to finance these projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, athletics and community service. The District has no business-type activities as of and for the year ended June 30, 2008.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the 2003 School Bond Loan debt service fund, which are major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund, which is a major fund, in order to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-32 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 33-38 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$10,795,678 at the close of the most recent fiscal year.

By far the largest portion of the District's total assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). Net assets invested in capital assets, net of related debt resulted in a deficit of \$13,049,246 at June 30, 2008. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Assets

	Governmental Activities	
	<u>2006-07</u>	<u>2007-08</u>
Current and other assets	\$10,191,820	\$13,329,762
Noncurrent assets, net	<u>77,209,775</u>	<u>73,945,533</u>
Total assets	<u>87,401,595</u>	<u>87,275,295</u>
Long-term liabilities outstanding	14,964,536	17,534,128
Other liabilities	<u>84,447,486</u>	<u>80,536,845</u>
Total liabilities	<u>99,412,022</u>	<u>98,070,973</u>
Net assets:		
Invested in capital assets, net of related debt	(13,612,652)	(13,049,246)
Restricted	1,026,854	3,036,372
Unrestricted	<u>575,371</u>	<u>(1,037,591)</u>
Total net assets	<u>\$(12,010,427)</u>	<u>\$(10,795,678)</u>

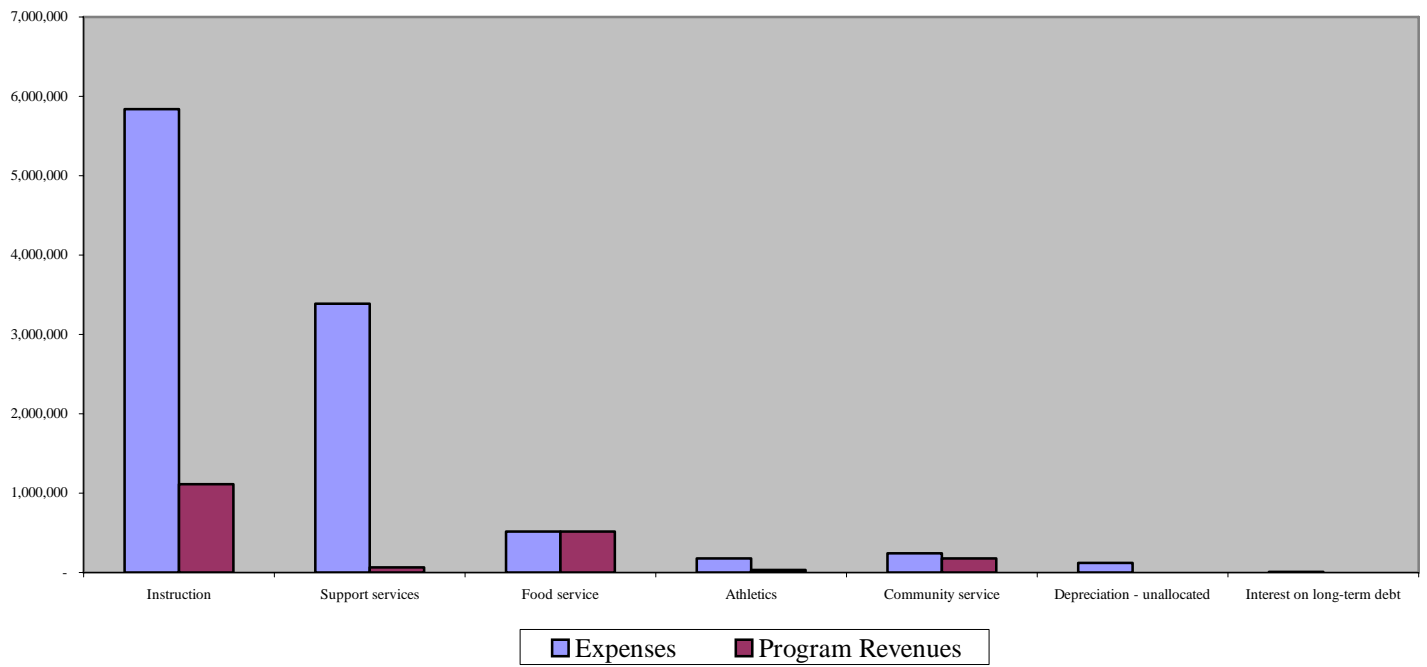
An amount of \$3,036,372 included in net assets of the District represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net assets* or (\$1,037,591).

The government's net assets increased by \$1,214,749 during the current fiscal year. Principal payments on debt are expenditures in the debt funds and not an expense in the government-wide financial statements, whereas depreciation is an expense in the government-wide financial statements and not an expenditure in the funds. The dynamics of these two elements, coupled with other ongoing revenues exceeding ongoing expenses represent the primary reasons for the net asset increase for the fiscal year. Since the "Schools of Choice" legislation was enacted, the District's enrollment has decreased and now hovers around the 5,000 student level.

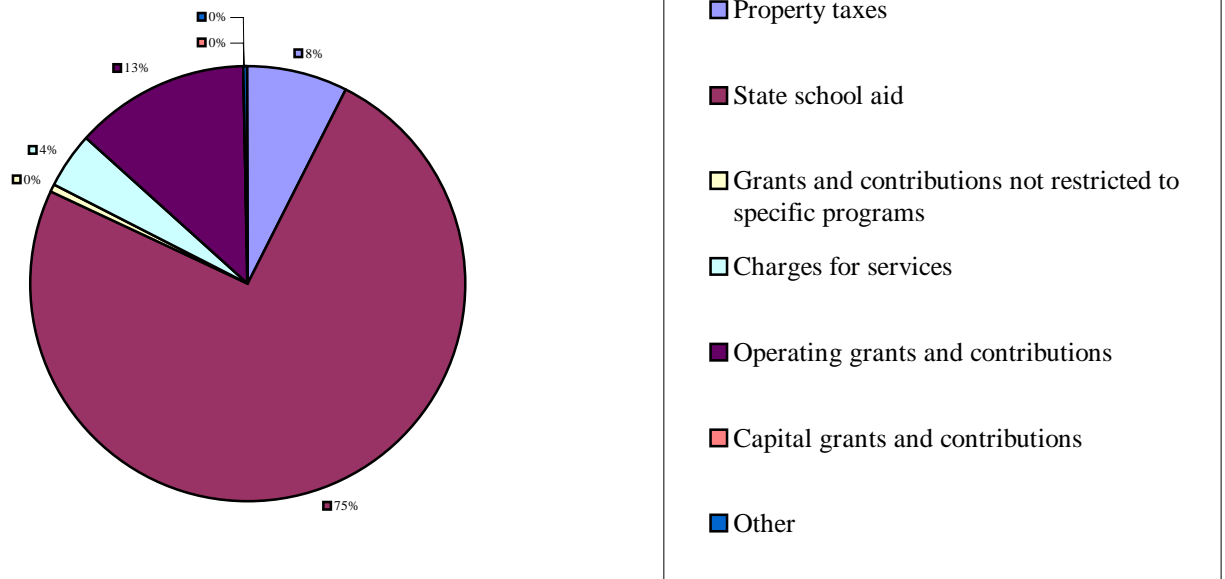
District's Changes in Net Assets

	Governmental Activities	
	<u>2006-07</u>	<u>2007-08</u>
<i>Revenue</i>		
Program revenue		
Charges for services	\$2,377,968	\$2,053,169
Operating grants and contributions	2,831,655	3,084,906
General revenue		
Property taxes	12,294,442	12,974,283
State school aid	29,766,950	29,225,032
Other grants and contributions	19,532	19,531
Other	<u>326,456</u>	<u>416,543</u>
Total revenue	<u>47,617,003</u>	<u>47,773,464</u>
Expenses		
Instruction	25,093,879	24,017,364
Support services	12,729,675	12,890,478
Food service	1,289,419	1,318,825
Athletics	482,818	492,638
Community service	930,683	915,768
School store	34,310	16,832
Depreciation - unallocated	3,045,409	3,018,964
Interest on long-term debt	<u>4,038,241</u>	<u>3,887,846</u>
Total expenses	<u>47,644,434</u>	<u>46,558,715</u>
Increase (decrease) in net assets	<u>(27,431)</u>	<u>1,214,749</u>
Net assets (deficit) beginning of year	<u>(11,982,996)</u>	<u>(12,010,427)</u>
Net assets (deficit) end of year	<u>\$(12,010,427)</u>	<u>\$(10,795,678)</u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,097,564, a increase of \$799,430 in comparison with the prior year. Approximately 19% of this total amount (\$779,000) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid expenses and are not available for current expenditure, or is to be used for future debt service payments.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$794,733, while total fund balance was \$1,046,462. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 2 percent and 3 percent of total general fund expenditures, respectively.

The fund balance of the District's general fund decreased by \$1,109,803 during the current fiscal year due primarily to an increase in ongoing expenditures coupled with declining enrollment.

Additionally, the 2003 School Bond Loan debt service fund added \$1,137,944 to fund balance during the year as a result of property tax revenues and bond proceed borrowings exceeding the scheduled debt service payments.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor. Once additional information was known, subsequent budget amendments recognized the additional revenue and additional planned expenditures were added to various District programs. Budget to actual comparisons were generally favorable.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$70,537,176 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

The major capital asset purchases during the current fiscal year were the following:

- Food Service equipment – District wide \$7,997
- Maintenance Vehicle replacement - \$26,958
- Site improvements - \$18,055
- Applied Tech Equipment - \$19,800
- Building Improvements -\$9,404

District's Capital Assets
(net of depreciation)
June 30, 2008

Land	\$ 1,391,855
Buildings & Bldg Improvements	65,794,718
Site Improvements	2,194,997
Vehicles	73,912
Equipment	1,081,694
Total	<u>\$70,537,176</u>

Additional information on the District's capital assets can be found in note III.C in the notes to the financial statement section of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$76,431,000.

The District's total debt principal payments were \$5,424,000 during the current fiscal year.

Additional information on the District's long-term debt can be found in note III.E in the notes to the financial statement section of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2008-09 fiscal year:

- The economical downswing has affected all Michigan School Districts over the past five years primarily due to the leveling off enrollment and funding. The foundation grant allowance has increase from \$7,204 in 2007-08 to \$7,316 in 2008-09. Any increase in the foundation allowance is not enough money to keep up with our increased expenses including salaries, insurance and retirement benefits, utility costs and diesel fuel increases. We have made additional program and staff reductions and used a portion of the General Fund equity to balance our 2008-09 budget.

Inflationary trends in the region compare favorably to national indices.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Finance & Operations, 2130 East M-36, and Pinckney, Michigan 48169.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Statement of Net Assets

June 30, 2008

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 439,998
Investments	6,905,559
Accounts receivable	29,057
Due from other governmental units	5,672,707
Inventory and prepaids	282,441
Total current assets	<u>13,329,762</u>
Noncurrent assets:	
Deferred expenses	3,408,357
Capital assets, net	70,537,176
Total noncurrent assets	<u>73,945,533</u>
Total assets	<u>87,275,295</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	3,674,290
Due to other governmental units	122
Salaries payable	2,233,742
State aid note payable	5,184,000
Deferred revenue	166,536
Accrued sick leave payable	432,462
Voluntary severance program	239,976
Current portion of long-term obligations	5,603,000
Total current liabilities	<u>17,534,128</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations	79,888,151
Accrued sick leave payable	648,694
Total noncurrent liabilities	<u>80,536,845</u>
Total liabilities	<u>98,070,973</u>
Net assets (deficit)	
Invested in capital assets, net of related debt (deficit)	(13,049,246)
Restricted for debt service	3,036,372
Unrestricted (deficit)	<u>(1,037,591)</u>
Total net assets (deficit)	<u>\$ (10,795,678)</u>

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities For the Year Ended June 30, 2008

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Basic programs	\$ 19,534,918			\$ (19,534,918)
Added needs:				
Special education	3,611,033		2,017,979	(1,593,054)
Other added needs	871,413	7,188	110,090	(754,135)
Total instruction	24,017,364	7,188	2,128,069	(21,882,107)
Support services:				
Pupil	1,202,465		551,677	(650,788)
Instructional services	892,059		29,297	(862,762)
General administration	321,596			(321,596)
School administration	2,250,189			(2,250,189)
Business	882,781		53,571	(829,210)
Operation & maintenance	4,219,396			(4,219,396)
Pupil transportation services	1,781,534			(1,781,534)
Technology	1,026,802			(1,026,802)
Central	313,656			(313,656)
Total supporting services	12,890,478	-	634,545	(12,255,933)
Food service	1,318,825	921,487	322,292	(75,046)
Athletics	492,638	203,912	-	(288,726)
Community service	915,768	907,411	-	(8,357)
School store	16,832	13,171	-	(3,661)
Depreciation - unallocated	3,018,964	-	-	(3,018,964)
Interest on long-term debt	3,887,846	-	-	(3,887,846)
Total governmental activities	\$ 46,558,715	\$ 2,053,169	\$ 3,084,906	\$ (41,420,640)

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Statement of Activities (concluded)
For the Year Ended June 30, 2008

	Governmental Activities
Changes in net assets	
Net expense	<u>\$ (41,420,640)</u>
General revenues:	
Property taxes	12,974,283
State school aid	29,225,032
Grants and contributions not restricted to specific programs	19,531
Other	174,835
Debt fund interest earnings	91,602
Unrestricted investment earnings	<u>150,106</u>
Total general revenues	<u>42,635,389</u>
Change in net assets	1,214,749
Net assets (deficit), beginning of year	<u>(12,010,427)</u>
Net assets (deficit), end of year	<u><u>\$ (10,795,678)</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Balance Sheet Governmental Funds June 30, 2008

	General Fund	2003 School Bond Loan	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 327,397	\$ 5,360	\$ 107,241	\$ 439,998
Investments	3,877,994	1,445,325	1,582,240	6,905,559
Accounts and interest receivable	14,383	-	14,674	29,057
Due from other funds	38,530	-	-	38,530
Due from other governmental units	5,659,950	-	12,757	5,672,707
Inventory and prepaid expenditures	251,729	-	30,712	282,441
<u>TOTAL ASSETS</u>	\$ 10,169,983	\$ 1,450,685	\$ 1,747,624	\$ 13,368,292
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 252,111	\$ -	\$ 3,005	\$ 255,116
Due to other governments	-	-	122	122
Due to other funds	-	-	38,530	38,530
State aid note payable	5,184,000	-	-	5,184,000
Salaries payable	2,210,498	-	23,244	2,233,742
Payroll taxes and benefits payable	1,162,956	-	2,726	1,165,682
Accrued expense	227,000	-	-	227,000
Deferred revenue	86,956	-	79,580	166,536
Total liabilities	9,123,521	-	147,207	9,270,728
Fund Balances				
Reserved for inventories and prepaids	251,729	-	30,712	282,441
Reserved for debt service	-	1,450,685	1,585,687	3,036,372
Unreserved, undesignated, reported in:		-		
General fund	794,733	-	-	794,733
Special revenue funds (deficit)	-	-	(15,982)	(15,982)
Total fund balances	1,046,462	1,450,685	1,600,417	4,097,564
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 10,169,983	\$ 1,450,685	\$ 1,747,624	\$ 13,368,292

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$	4,097,564
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital and other assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets		115,687,508
Deduct - accumulated depreciation on capital assets		(45,150,332)
Add - unamortized portion of deferred expenses of bond issuance		3,408,357

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable		(83,586,422)
Deduct - accrued interest on bonds payable		(2,026,492)
Deduct - unamortized premium related to bond issuance		(1,904,729)
Deduct - Voluntary Severance Program		(239,976)
Deduct - compensated absences		(1,081,156)

Net assets (deficit) of governmental activities	\$	(10,795,678)
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The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	2003 School Bond Loan	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ 3,919,775	\$ 2,831,848	\$ 6,222,660	\$ 12,974,283
Other local sources	240,473	33,478	2,034,566	2,308,517
State sources	30,862,752	-	63,115	30,925,867
Federal sources	334,147	-	278,708	612,855
Interdistrict sources	790,748	-	3,376	794,124
Other sources	88,764	-	69,054	157,818
Total revenues	36,236,659	2,865,326	8,671,479	47,773,464
Expenditures				
Instruction:				
Basic programs	19,816,068	-	-	19,816,068
Added needs:				
Special education	3,611,033	-	-	3,611,033
Other added needs	861,243	-	-	861,243
Total instruction	24,288,344	-	-	24,288,344
Support services:				
Pupil	1,202,465	-	-	1,202,465
Instructional services	892,059	-	-	892,059
General administration	319,722	-	-	319,722
School administration	2,204,638	-	-	2,204,638
Business	882,781	-	-	882,781
Operation & maintenance	4,176,566	-	-	4,176,566
Pupil transportation services	1,781,534	-	-	1,781,534
Technology	1,014,189	-	-	1,014,189
Central	313,656	-	-	313,656
Total support services	12,787,610	-	-	12,787,610
Food service	-	-	1,299,134	1,299,134
Athletics	-	-	492,638	492,638
School store	-	-	16,832	16,832
Community service	-	-	915,767	915,767
Debt service				
Principal	-	2,139,000	3,285,000	5,424,000
Interest and other fiscal charges	-	548,382	2,959,480	3,507,862
Capital outlay	-	-	17,586	17,586
Total expenditures	37,075,954	2,687,382	8,986,437	48,749,773
Revenues under expenditures	(839,295)	177,944	(314,958)	(976,309)
Other financing sources (uses)				
Transfers in - General Fund	-	-	270,508	270,508
Transfers out - Athletic Fund	(270,508)	-	-	(270,508)
School bond loan fund proceeds	-	960,000	815,739	1,775,739
	(270,508)	960,000	1,086,247	1,775,739
Net change in fund balances	(1,109,803)	1,137,944	771,289	799,430
Fund balance, beginning of year	2,156,265	312,741	829,128	3,298,134
Fund balance, end of year	\$ 1,046,462	\$ 1,450,685	\$ 1,600,417	\$ 4,097,564

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 799,430
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	82,214
Deduct - depreciation expense	(3,167,069)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - amortization of premium on bond refunding	100,249
Deduct - amortization of deferred bond cost	(179,387)
Add - principal payments on long-term liabilities	5,424,000
Deduct-School Bond Loan Fund proceeds	(1,775,739)
Deduct - increase in interest expense on government-wide statements	(300,846)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add -decrease in Voluntary Severance Program	260,012
Deduct - increase in the accrual for compensated absences	(28,115)

Change in net assets of governmental activities	\$ 1,214,749
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The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budget Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,441,500	\$ 3,918,200	\$ 3,919,775	\$ 1,575
Other local sources	380,000	242,300	240,473	(1,827)
State sources	32,018,127	30,947,194	30,862,752	(84,442)
Federal sources	354,181	347,836	334,147	(13,689)
Interdistrict Sources	489,461	795,812	790,748	(5,064)
Other sources	91,000	92,500	88,764	(3,736)
Total revenues	36,774,269	36,343,842	36,236,659	(107,183)
Expenditures				
Instruction:				
Basic programs	19,917,775	19,884,597	19,816,068	(68,529)
Added needs:				
Special education	3,573,852	3,630,000	3,611,033	(18,967)
Other added needs	1,052,083	953,636	861,243	(92,393)
Total instruction	24,543,710	24,468,233	24,288,344	(179,889)
Support services:				
Pupil	1,428,442	1,200,157	1,202,465	2,308
Instructional services	965,980	884,951	892,059	7,108
General administration	375,682	319,545	319,722	177
School administration	2,166,309	2,215,523	2,204,638	(10,885)
Business	776,466	874,116	882,781	8,665
Operation & Maintenance	4,502,499	4,185,194	4,176,566	(8,628)
Pupil Transportation Services	1,728,455	1,783,000	1,781,534	(1,466)
Technology	883,699	1,019,039	1,014,189	(4,850)
Central	273,311	314,072	313,656	(416)
Other support services	30,149	-	-	-
Total support services	13,130,992	12,795,597	12,787,610	(7,987)
Total expenditures	37,674,702	37,263,830	37,075,954	(187,876)
Revenues over (under) expenditures	(900,433)	(919,988)	(839,295)	80,693
Other financing (uses)				
Transfers out - Athletic Fund	(280,000)	(284,100)	(270,508)	(13,592)
Net change in fund balances	(1,180,433)	(1,204,088)	(1,109,803)	94,285
Fund balance, beginning of year	2,156,265	2,156,265	2,156,265	-
Fund balance, end of year	\$ 975,832	\$ 952,177	\$ 1,046,462	\$ 94,285

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Statement of Fiduciary Net Assets

June 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 12,143
Investments	<u>354,663</u>
TOTAL ASSETS	<u><u>\$ 366,806</u></u>
LIABILITIES	
Accounts payable	\$ 14,384
Sales tax payable	952
Due to student groups	<u>351,470</u>
TOTAL LIABILITIES	<u><u>\$ 366,806</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Pinckney Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available, if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *2003 School Bond Loan debt retirement fund* accounts for transactions related to bond loan financing.

Additionally, the District reports the following fund types:

The *food service fund* accounts for the activities of the food service operation at the various cafeteria locations. The District charges users primarily for the direct costs of this program, which is subsidized by state and federal grants.

The *athletics fund* accounts for the various athletic programs sponsored by the District.

The *school store fund* accounts for the revenues and expenditures of the high school store operation.

The *community service fund* accounts for the revenue and expenditures of child care and other community education programs and projects.

The *two debt service funds* account for the principal and interest payments on these bonds used to finance various construction projects in the District.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, except those levied to repay bonded debt.

The effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, liabilities and equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2008.

3. Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund and School Service Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Payments made to vendors for services that will benefit future periods are reported as prepaid items.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Equipment	5-20
Vehicles	5-10

5. *Compensated absences*

The District records a liability at fiscal year end for vacation pay earned but not taken as of that date. Employees are also compensated for unused sick days; accordingly, a liability is recorded at fiscal year end for such unused time. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

B. Excess of expenditures over appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General fund.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 439,998
Investments	<u>6,905,559</u>
	7,345,557

Statement of Fiduciary Net Assets:

Agency Funds:	
Cash and cash equivalents	12,143
Investments	<u>354,663</u>
	<u>366,806</u>
	<u>\$ 7,712,363</u>

Bank deposits (checking accounts, savings accounts and CDs)	\$ 1,831,123
Cash on hand	3,066
Investments	<u>5,878,175</u>
	<u>\$ 7,712,363</u>

Statutory Authority

State statutes authorize the District to invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year End, the District had the following investments:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA	n/a	\$ 5,878,175	Fitch – AAA-V1

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit ratings on the District's investments are listed above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,911,216 of the District's bank balance of \$2,111,216 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book value of these deposits was \$1,831,123 at June 30, 2008.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The District's policy regarding custodial credit risk states that investment institutions to be authorized must be capitalized at no less than \$10,000,000.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables in the governmental activities are 99 percent due from general accounts and 1 percent accrued interest.

C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 1,391,855	\$ -	\$ -	\$ 1,391,855
Capital assets being depreciated:				
Buildings and building improvements	103,109,705	9,405	-	103,119,110
Site improvements	5,583,401	18,055	-	5,601,456
Equipment	5,358,574	27,796	34,546	5,351,824
Vehicles	196,305	26,958	-	223,263
Subtotal	114,247,985	82,214	34,546	114,295,653
Accumulated depreciation:				
Buildings and building improvements	34,687,636	2,636,756	-	37,324,392
Site improvements	3,178,425	228,034	-	3,406,459
Equipment	4,019,330	285,346	34,546	4,270,130
Vehicles	132,418	16,933	-	149,351
Total accumulated depreciation	42,017,809	3,167,069	34,546	45,150,332
Total capital assets being depreciated, net	72,230,176	(3,084,855)	-	69,145,321
Governmental activities capital assets, net	\$ 73,622,031	\$ (3,084,855)	\$ -	\$ 70,537,176

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Instruction:

Basic programs	\$ 3,749
Added Needs – other	13,080

Support services:

General administration	1,874
School administration	32,936
Operation and maintenance	81,748
Technology	12,613
Food service	2,105
Depreciation – unallocated	<u>3,018,964</u>

Total depreciation expense – governmental activities **\$ 3,167,069**

D. Interfund receivables, payables and transfers

The following balances at June 30, 2008, represent individual fund interfund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due To/From:		
Due To/From Other Funds:		
General fund	\$ 38,530	\$ -
Nonmajor funds	<u>-</u>	<u>38,530</u>
Total	<u>\$ 38,530</u>	<u>\$ 38,530</u>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year then ended, interfund transfers consisted of the following:

Transfer from general fund to nonmajor funds **\$ 270,508**

For the year ended June 30, 2008, the District transferred funds to subsidize the athletic program.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

Long-term debt of the District consists of the following:

	Balance July 1, 2007	Increases	(Decreases)	Balance June 30, 2008	Due Within One Year
Bonds payable	\$ 81,855,000	\$ -	\$5,424,000	\$ 76,431,000	\$ 5,603,000
Premium on bonds	2,004,978	-	100,249	1,904,729	-
School bond loan Principal	5,379,683	1,775,739	-	7,155,422	-
Voluntary Severance	499,988	-	260,012	239,976	239,976
Compensated absences	1,053,041	28,115	-	1,081,156	432,462
Totals	<u>\$90,792,690</u>	<u>\$ 1,803,854</u>	<u>\$5,784,261</u>	<u>\$86,812,283</u>	<u>\$ 6,275,438</u>

Bonds payable at June 30, 2008 are as follows:

\$14,485,000 2003 Bond refunding of 1978 and 1993 building and site serial bonds due in annual installments of \$1,090,000 to \$1,750,000 through May 2014; interest from 2.00% to 5.00%. The defeased bonds outstanding on the original issues is \$9,115,000. \$ 6,520,000

\$21,120,960 2003 School Bond Loan fund refunding bonds due in annual installments ranging from \$255,000 to \$2,592,000 through May 2014; interest at 3.318%. 14,376,000

\$58,705,000 2004 Bond refunding of a portion of the 1997 building and site serial bonds due in annual installments of \$330,000 to \$2,935,000 through May 2027; interest from 2.00% to 5.00%. The defeased bonds outstanding on the original issue is \$56,650,000. 55,535,000

Total bonded debt \$76,431,000

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

BOND DEBT SERVICE REQUIREMENTS

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,603,000	\$ 3,285,932	\$ 8,888,932
2010	5,785,000	3,099,820	8,884,820
2011	6,010,000	2,907,569	8,917,569
2012	6,241,000	2,660,056	8,901,056
2013	6,480,000	2,423,145	8,903,145
2014-2018	19,202,000	9,120,954	28,322,954
2019-2023	15,250,000	5,244,000	20,494,000
2024-2027	<u>11,860,000</u>	<u>1,477,500</u>	<u>13,337,500</u>
Total	<u>\$ 76,431,000</u>	<u>\$ 30,218,976</u>	<u>\$ 106,649,976</u>

Loans represent \$7,155,422 in amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue to make payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Accrued interest on this loan amounted to \$1,478,837 at June 30, 2008.

The other long-term obligations are comprised of employee compensated absences of \$1,081,156, which are generally liquidated by the general fund.

The District has a short-term state aid note of \$5,000,000, plus interest of \$184,000 included as a liability in the general fund at June 30, 2008. This note carries an interest rate of 3.68% and is due August 20, 2008.

Short-term debt activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
State Aid Notes	<u>\$3,000,000</u>	<u>\$5,000,000</u>	<u>\$3,000,000</u>	<u>\$5,000,000</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on December 1 by the municipalities within the District, and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County.

C. Defined benefit pension plan

Plan Description

Pinckney Community Schools contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan's Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

The current rate is 16.72% of annual covered payroll. Of that amount, 6.55% is for retiree health care and 10.17% for pension benefits. The contribution requirements of plan members and the District are established by State of Michigan statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2008, 2007 and 2006 were \$3,639,873, \$3,864,797 and \$3,501,029, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by their former employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

D. Subsequent Event

The District borrowed \$4,500,000 on a State aid note on August 20, 2008 for cash flow purposes.

* * * * *

COMBINING FUND STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<hr/>			
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 103,179	\$ 4,062	\$ 107,241
Investments	-	1,582,240	1,582,240
Accounts receivable	14,674	-	14,674
Due from other governments	12,757	-	12,757
Inventory	30,712	-	30,712
<hr/>			
<u>TOTAL ASSETS</u>	\$ 161,322	\$ 1,586,302	\$ 1,747,624
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 3,005	\$ -	\$ 3,005
Due to other funds	37,915	615	38,530
Due to other governments	122	-	122
Accrued payroll	23,244	-	23,244
Payroll withholdings	2,726	-	2,726
Deferred revenue	79,580	-	79,580
<hr/>			
Total liabilities	146,592	615	147,207
<hr/>			
Fund balances			
Reserved for inventory	30,712	-	30,712
Reserved for debt service	-	1,585,687	1,585,687
Unreserved and undesignated (deficit)	(15,982)	-	(15,982)
Total fund balances	14,730	1,585,687	1,600,417
<hr/>			
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 161,322	\$ 1,586,302	\$ 1,747,624
<hr/>			

PINCKNEY COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Local sources			
Property tax revenue	\$ -	\$ 6,222,660	\$ 6,222,660
Admissions	69,808	-	69,808
Sales to students and adults	930,549	-	930,549
Pay-to-participate fees	133,619	-	133,619
Program fees	839,574	-	839,574
Interest on investments	2,892	58,124	61,016
State sources	43,584	19,531	63,115
Federal sources	278,708	-	278,708
Due from other governmental units	3,376		3,376
Other sources	69,054	-	69,054
Total revenues	<u>2,371,164</u>	<u>6,300,315</u>	<u>8,671,479</u>
Expenditures			
Food service	1,299,134	-	1,299,134
Athletics	492,638	-	492,638
School store	16,832	-	16,832
Community service	915,767	-	915,767
Bond principal payments	-	3,285,000	3,285,000
Bond interest payments	-	2,907,747	2,907,747
Other fiscal charges	-	51,733	51,733
Capital outlay	17,586	-	17,586
Total expenditures	<u>2,741,957</u>	<u>6,244,480</u>	<u>8,986,437</u>
Revenue over (under) expenditures	<u>(370,793)</u>	<u>55,835</u>	<u>(314,958)</u>
Other financing sources (uses)			
Transfers in - General Fund	270,508	-	270,508
School bond loan fund proceeds	-	815,739	815,739
Total other financing sources	<u>270,508</u>	<u>815,739</u>	<u>1,086,247</u>
Net change in fund balances	(100,285)	871,574	771,289
Fund balance, beginning of year	<u>115,015</u>	<u>714,113</u>	<u>829,128</u>
Fund balance, end of year	<u>\$ 14,730</u>	<u>\$ 1,585,687</u>	<u>\$ 1,600,417</u>

PINCKNEY COMMUNITY SCHOOLS
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Food Service	Athletics	School Store	Community Service	Total
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 6,790	\$ 2,039	\$ 929	\$ 93,421	\$ 103,179
Accounts receivable	2,844	-	-	11,830	14,674
Due from other governments	9,381	-	-	3,376	12,757
Inventory and prepaid expenses	20,328	-	9,041	1,343	30,712
<u>TOTAL ASSETS</u>	\$ 39,343	\$ 2,039	\$ 9,970	\$ 109,970	\$ 161,322
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 2,960	\$ -	\$ -	\$ 45	\$ 3,005
Due to other funds	16,366	-	19	21,530	37,915
Due to other governments	95	-	27	-	122
Accrued payroll	-	536	-	22,708	23,244
Payroll withholdings	-	131	-	2,595	2,726
Deferred revenue	19,897	-	-	59,683	79,580
Total liabilities	39,318	667	46	106,561	146,592
Fund balances					
Reserved for inventory and prepaids	20,328	-	9,041	1,343	30,712
Unreserved and undesignated (deficit)	(20,303)	1,372	883	2,066	(15,982)
Total fund balances	25	1,372	9,924	3,409	14,730
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 39,343	\$ 2,039	\$ 9,970	\$ 109,970	\$ 161,322

PINCKNEY COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	Food Service	Athletics	School Store	Community Service	Total
Revenues					
Local sources					
Admissions and fees	\$ -	\$ 69,808	\$ -	\$ -	\$ 69,808
Sales to students and adults	917,378	-	13,171	-	930,549
Pay-to-participate fees	-	133,619	-	-	133,619
Program fees	-	-	-	839,574	839,574
Interest	1,629	92	10	1,161	2,892
State sources	43,584	-	-	-	43,584
Federal sources	278,708	-	-	-	278,708
Intermediate sources				3,376	3,376
Other sources	4,109	485	-	64,460	69,054
Total revenues	1,245,408	204,004	13,181	908,571	2,371,164
Expenditures					
Food service	1,299,134	-	-	-	1,299,134
Athletics	-	492,638	-	-	492,638
School store	-	-	16,832	-	16,832
Community service	-	-	-	915,767	915,767
Capital outlay	17,586	-	-	-	17,586
Total expenditures	1,316,720	492,638	16,832	915,767	2,741,957
Revenue under expenditures	(71,312)	(288,634)	(3,651)	(7,196)	(370,793)
Other financing sources					
Transfers in - General Fund	-	270,508	-	-	270,508
Net change in fund balances	(71,312)	(18,126)	(3,651)	(7,196)	(100,285)
Fund balance, beginning of year	71,337	19,498	13,575	10,605	115,015
Fund balance, end of year	\$ 25	\$ 1,372	\$ 9,924	\$ 3,409	\$ 14,730

PINCKNEY COMMUNITY SCHOOLS
Combining Balance Sheet
Nonmajor Debt Service funds
June 30, 2008

	2003	2004	Total
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 613	\$ 3,449	\$ 4,062
Investments	310,969	1,271,271	1,582,240
<u>TOTAL ASSETS</u>	\$ 311,582	\$ 1,274,720	\$ 1,586,302
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Due to other funds	\$ -	\$ 615	\$ 615
<u>TOTAL LIABILITIES</u>	-	615	615
Fund balances			
Reserved for debt service	311,582	1,274,105	1,585,687
<u>TOTAL LIABILITIES</u> <u>AND FUND BALANCES</u>	\$ 311,582	\$ 1,274,720	\$ 1,586,302

PINCKNEY COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Debt Service Funds
For the Year Ended June 30, 2008

	2003	2004	Total
Revenue			
Local sources			
Property tax revenue	\$ 1,533,834	\$ 4,688,826	\$ 6,222,660
Interest on investments	15,481	42,643	58,124
State sources	-	19,531	19,531
Total revenue	<u>1,549,315</u>	<u>4,751,000</u>	<u>6,300,315</u>
 Expenditures			
Bond principal payments	1,130,000	2,155,000	3,285,000
Bond interest payments	300,275	2,607,472	2,907,747
Other fiscal charges	48,958	2,775	51,733
 Total expenditures	<u>1,479,233</u>	<u>4,765,247</u>	<u>6,244,480</u>
 Revenue over			
(under) expenditures	<u>70,082</u>	<u>(14,247)</u>	<u>55,835</u>
 Other financing sources (uses)			
School bond loan fund proceeds		815,739	815,739
 Total other financing sources	<u>-</u>	<u>815,739</u>	<u>815,739</u>
 Net change in fund balances	70,082	801,492	871,574
 Fund balance, beginning of year	<u>241,500</u>	<u>472,613</u>	<u>714,113</u>
 Fund balance, end of year	<u><u>\$ 311,582</u></u>	<u><u>\$ 1,274,105</u></u>	<u><u>\$ 1,585,687</u></u>

ANNUAL DISCLOSURE
DOCUMENT INFORMATION

PINCKNEY COMMUNITY SCHOOLS
Counties of Livingston and Washtenaw, State of Michigan
2003 Refunding Bonds, Dated 5/1/2003 Orig. Amt: \$14,485,000
CUSIP #: 722205 JV4 TO KF7
AND
2004 Refunding Bonds, Dated 11/2/2004 Orig. Amt: \$58,705,000
CUSIP #: 722205 KJ9 TO LF6

ANNUAL DISCLOSURE DOCUMENT

History of S.E.V./Taxable Value

<u>Year</u>	<u>School SEV</u>	<u>Change</u>	<u>Taxable Value</u>	<u>Total Change</u>
2008/09	\$1,427,837,654	-5.89%	\$1,188,721,547	-0.19%
2007/08	\$1,517,217,288	3.35%	\$1,190,956,906	5.35%
2006/07	\$1,468,081,688	7.82%	\$1,130,524,685	7.39%
2005/06	\$1,361,666,266	6.69%	\$1,052,735,895	7.51%
2004/05	\$1,276,302,170	5.99%	\$979,191,394	6.28%
2003/04	\$1,204,185,923	11.77%	\$921,361,114	6.74%
2002/03	\$1,077,369,118	11.18%	\$863,149,465	9.11%
2001/02	\$969,045,601	11.51%	\$791,061,116	10.39%
2000/01	\$868,988,216	11.50%	\$716,588,787	8.37%
1999/00	\$779,342,423	14.55%	\$661,259,170	8.74%
1998/99	\$680,370,198	11.66%	\$608,113,697	9.10%
1997/98	\$615,510,437	11.66%	\$557,416,176	8.27%
1996/97	\$551,215,853	12.33%	\$514,820,575	8.16%
1995/96	\$490,709,331	10.05%	\$475,986,197	6.75%
1994/95	\$445,884,072	6.06%	\$445,884,072	6.06%
1993/94	\$420,388,394	0.00%	\$420,388,394	0.00%

Major Taxpayers

<u>Taxpayer</u>	<u>Product/Service</u>	<u>2008 Taxable Value</u>
Detroit Edison	Utility	\$12,477,748
Consumers Energy	Utility	\$4,492,262
Chilson Commons, LLC	Strip Mall Development	\$4,398,731
Metaldyne	Tube & pipe bending	\$3,580,197
TopValco, Inc.	Food Store (Kroger Co.)	\$2,521,230
Tri-Bro LLC	Food Store (Busch's Valu Land)	\$2,621,600
Lakeland Golf & Country Club	Golf club	\$2,520,839
Hamburg Professional Office	Office Development - Mich Rehab	\$2,269,798
Timber Trace Golf Club	Golf club	\$2,079,120
Hamburg Hills - Coventry Woods	Mobile Home Park Development	\$2,007,214
TOTAL		<u>\$38,968,739</u>
2008 Taxable Value		\$1,188,721,547
Top 10 taxpayers as a % of total taxable value		3.28%

School District Tax Rates

<u>School Year</u>	<u>Allocated Operating</u>	<u>Operating*</u>	<u>Voted Debt</u>	<u>Total</u>
2008/09	0	18.0000	7.5500	25.5500
2007/08	0	18.0000	7.5500	25.5500
2006/07	0	18.0000	7.5500	25.5500
2005/06	0	18.0000	7.5500	25.5500
2004/05	0	18.0000	7.5500	25.5500
2003/04	0	18.0000	7.5500	25.5500
2002/03	0	18.0000	7.5500	25.5500
2001/02	0	18.0000	7.5500	25.5500
2000/01	0	18.0000	7.5500	25.5500
1999/00	0	17.1552	7.5500	24.7052
1998/99	0	17.6410	7.5500	25.1910
1997/98	0	17.5187	7.5500	25.0687
1996/97	0	17.9000	5.5500	23.4500
1995/96	0	18.0000	6.2500	24.2500
1994/95	0	18.0000	7.1400	25.1400
1993/94	6.7691	28.3437	7.1400	42.2528

* Beginning in 1994/95, levied on non-homestead property only.

**PINCKNEY COMMUNITY SCHOOLS
GENERAL FINANCIAL INFORMATION
(Continued)**

State Aid Payments

<u>School Year</u>	<u>Total Received</u>	<u>Foundation Allowance per Pupil</u>
2007/08	\$30,688,226	\$7,204
2006/07	\$30,749,662	\$7,085
2005/06	\$30,584,063	\$6,875
2004/05	\$30,563,891	\$6,700
2003/04	\$29,856,688	\$6,626
2002/03	\$29,858,835	\$6,628
2001/02	\$29,659,472	\$6,500
2000/01	\$26,728,245	\$6,000
1999/00	\$25,082,702	\$5,700
1998/99	\$23,290,718	\$5,413
1997/98	\$22,390,570	\$5,413
1996/97	\$20,363,994	\$5,161
1995/96	\$18,512,010	\$4,903
1994/95	\$16,639,461	\$4,645
1993/94	\$1,490,269	\$0

Tax Levies and Collections

<u>School Year</u>	<u>Operating Tax Levy</u>	<u>Collections to March 1st</u>		<u>Collections to June 30th</u>	
		<u>Dollar Amount</u>	<u>Percentage</u>	<u>Dollar Amount</u>	<u>Percentage</u>
2007/08	\$3,904,263	\$3,298,415	84.48%	\$3,890,746	99.65%
2006/07	\$3,716,164	\$3,273,296	88.08%	\$3,693,535	99.39%
2005/06	\$3,360,715	\$2,926,933	87.09%	\$3,331,650	99.14%
2004/05	\$3,065,268	\$2,689,328	87.74%	\$3,050,058	99.50%
2003/04	\$2,935,534	\$2,594,251	88.37%	\$2,859,494	97.41%
2002/03	\$2,785,136	\$2,435,491	87.45%	\$2,722,002	97.73%
2001/02	\$2,708,146	\$2,360,805	87.17%	\$2,661,269	98.27%
2000/01	\$2,539,889	\$2,289,295	90.13%	\$2,539,889	100.00%
1999/00	\$2,306,855	\$2,077,509	90.06%	\$2,306,855	100.00%
1998/99	\$2,263,969	\$2,004,788	88.55%	\$2,263,969	100.00%
1997/98	\$2,099,780	\$1,875,980	89.34%	\$2,099,780	100.00%
1996/97	\$2,101,618	\$1,770,651	84.25%	\$2,101,618	100.00%
1995/96	\$2,008,727	\$1,783,048	88.77%	\$2,008,727	100.00%
1994/95	\$1,837,925	\$1,605,619	87.36%	\$1,837,925	100.00%
1993/94	\$14,751,014	\$13,504,705	91.49%	\$14,745,614	99.90%

Labor Force

<u>Class</u>	<u># of Employees</u>	<u>Affiliation</u>	<u>Contract Exp. Date</u>
Administrators - Central	4	Non-affiliated	06/09
Administrators - Building	16	PCSA	06/09
Teachers	246	WLEA	08/07
Professionals/Aides/Monitors	45	PSSA	06/07
Maintenance/Custodial	33	Int'l Union of Op. Eng	06/09
Office Personnel			
Building Level	28	PESPA	06/09
Central Office	9	Local contract	06/09
Community Education	2	Local contract	06/09
Other Teachers/Latchkey	16	Non-affiliated	N/A
Lunch/Playground	39	Non-affiliated	N/A
TOTALS	438		

**PINCKNEY COMMUNITY SCHOOLS
GENERAL FINANCIAL INFORMATION
(Concluded)**

Enrollment History

<u>School Year</u>	<u>Enrollment</u>
2007/08	4,738
2006/07	4,834
2005/06	4,917
2004/05	4,985
2003/04	5,087
2002/03	5,077
2001/02	4,986
2000/01	4,892
1999/00	4,776
1998/99	4,673
1997/98	4,520
1996/97	4,434
1995/96	4,169
1994/95	3,951
1993/94	3,854

Retirement Plan

<u>School Year</u>	<u>Contribution</u>
2007/08	\$3,639,873
2006/07	\$3,864,797
2005/06	\$3,501,029
2004/05	\$2,989,989
2003/04	\$2,870,123
2002/03	\$2,654,628
2001/02	\$2,515,063
2000/01	\$2,261,697
1999/00	\$1,996,433
1998/99	\$1,753,650
1997/98	\$1,719,807
1996/97	\$2,031,838
1995/96	\$1,718,037
1994/95	\$594,000
1993/94	\$556,600

Debt Statement - Direct Debt

<u>Bonds Dated</u>	<u>Description</u>	<u>Amount Outstanding 1-Jul-08</u>
5/1/2003	Bldg & Site UTQ	\$6,520,000
9/30/2003	School Bond Loan Fund	14,376,000
11/2/2004	Bldg & Site UTQ	55,535,000
Total		<u>\$76,431,000</u>

General Fund Budget Summary - 2008/09

Revenues	\$36,037,465
Expenditures	<u>36,406,987</u>
Excess Revenues over Expenditures	(\$369,522)
July 1, 2008 Fund Balance	<u>1,046,762</u>
Projected June 30, 2009 Fund Balance	<u><u>\$677,240</u></u>

APPENDIX

PINCKNEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued (Deferred) Revenue - July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Deferred) Revenue - June 30, 2008
U.S. DEPARTMENT OF EDUCATION								
Passed-through Michigan Department of Education (MDE):								
Title I - Project - Regular	84.010	81530-0708	\$ 213,098	\$ -	\$ -	\$ 153,411	\$ 98,759	\$ 54,652
Title I - Project - Regular	84.010	71530-0607	157,694	32,791	126,531	14,999	47,790	-
Title I - Project - Carryover	84.010	61530-0506	139,537	-	7,913	-	-	-
			510,329	32,791	134,444	168,410	146,549	54,652
Title 2 - Part A - Regular								
84.367	84.367	08520-0708	108,600	-	-	108,600	78,280	30,320
Title 2 - Part A - Regular								
84.367	84.367	07520-0607	105,812	15,220	101,037	4,775	19,995	-
Title 2 - Part A - Carryover								
84.367	84.367	60520-0607	3,927	-	3,927	-	-	-
Title 2 - Part A - Regular								
84.367	84.367	60520-0506	100,701	-	12,723	-	-	-
			319,040	15,220	117,687	113,375	98,275	30,320
Title 2 - Part D - Regular								
84.318	84.318	84290-0708	1,832	-	-	756	756	-
Title 2 - Part D - Regular								
84.318	84.318	74290-0607	1,619	1,619	1,619	-	1,619	-
			3,451	1,619	1,619	756	2,375	-
Title V - Regular								
84.298	84.298	80250-0708	983	-	-	983	-	983
Title V - Regular								
84.298	84.298	70250-0607	1,002	1,002	1,002	-	1,002	-
			1,985	1,002	1,002	983	1,002	983
Total passed through MDE								
			834,805	50,632	254,752	283,524	248,201	85,955
Passed-through Livingston Educational Service Agency								
Transition Grant								
84.027A	84.027A	080490-TS	1,783	-	-	1,783	-	1,783
Transition Grant								
84.027A	84.027A	070490-TS	5,100	4,558	4,558	-	4,558	-
			6,883	4,558	4,558	1,783	4,558	1,783
Perkins - Supplemental								
84.048A	84.048A	83520	15,910	-	-	15,910	11,001	4,909
Perkins - Technical								
84.048A	84.048A	73520	18,029	4,279	16,086	-	4,279	-
Perkins - Supplemental								
84.048A	84.048A	73520	8,547	-	8,547	-	-	-
			42,486	4,279	24,633	15,910	15,280	4,909
Tech Prep								
84.243A	84.243A	83540	22,930	-	-	22,930	20,632	2,298
Tech Prep								
84.243A	84.243A	73540	562	378	562	-	378	-
			23,492	378	562	22,930	21,010	2,298

PINCKNEY COMMUNITY SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Approved Award/ Grant Amount</u>	<u>Accrued (Deferred) Revenue - July 1, 2007</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year In-Kind Receipts</u>	<u>Accrued (Deferred) Revenue - June 30, 2008</u>
Drug Free - Title IV	84.186A	82860	11,631	-	-	10,000	10,000	-
Drug Free - Title IV	84.186A	72860	11,035	-	11,035	-	-	-
			22,666	-	11,035	10,000	10,000	-
Total passed-through Livingston Educational Service Agency								
			95,527	9,215	40,788	50,623	50,848	8,990
TOTAL DEPARTMENT OF EDUCATION			930,332	59,847	295,540	334,147	299,049	94,945
U.S. DEPARTMENT OF AGRICULTURE								
Direct:								
Entitlement commodities	10.550	47080	43,395	-	40,665	43,395	43,395	-
Bonus commodities	10.550	47080	834	-	376	834	834	-
			44,229	-	41,041	44,229	44,229	-
Passed-through the Michigan Department of Education:								
National School Breakfast Program, Section 4 - All breakfasts	10.553	81970	16,756	-	-	16,756	16,756	-
Section 4 - All breakfasts	10.553	71970	1,489	-	5,334	1,489	1,489	-
			18,245	-	5,334	18,245	18,245	-
National School Lunch Program, Section 4 - All lunches	10.555	81950	136,788	-	-	136,788	136,788	-
Section 11 - Free and reduced	10.555	81960	53,245	-	-	53,245	53,245	-
Section 4 - All lunches	10.555	71950	6,163	-	53,870	6,163	6,163	-
Section 11 - Free and reduced	10.555	71960	14,848	-	106,436	14,848	14,848	-
Section 4 - All lunches	10.555	61950	-	-	5,889	-	-	-
Section 11 - Free and reduced	10.555	61960	-	-	10,808	-	-	-
			211,044	-	177,003	211,044	211,044	-
Special Milk Program	10.556	81940	4,570	-	-	4,570	4,570	-
Special Milk Program	10.556	71940	620	-	7,467	620	620	-
Special Milk Program	10.556	61940	-	-	834	-	-	-
			5,190	-	8,301	5,190	5,190	-
Total passed-through the Michigan Department of Education								
			278,708	-	231,679	278,708	278,708	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,209,040	\$ 59,847	\$ 527,219	\$ 612,855	\$ 577,757	\$ 94,945

PINCKNEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2008

- 1 The accounting policies used in preparing this schedule conform to generally accepted accounting principles applicable to governments. The District utilized the modified accrual basis of accounting in preparing this schedule.
- 2 Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to MDE.
- 3 The amounts reported on the R7120 (Grant Section Auditor's Report) reconcile with this schedule.
- 4 The amounts reported on the Recipient Entitlement Balance Report (PAL) agree with this schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 18, 2008

Board of Education
Pinckney Community Schools
Pinckney, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **PINCKNEY COMMUNITY SCHOOLS** as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pinckney Community School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Our report did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pinckney Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

September 18, 2008

Board of Education
Pinckney Community Schools
Pinckney, Michigan

Compliance

We have audited the compliance of **PINCKNEY COMMUNITY SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Pinckney Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pinckney Community Schools' management. Our responsibility is to express an opinion on Pinckney Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pinckney Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pinckney Community Schools' compliance with those requirements.

In our opinion, Pinckney Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Pinckney Community School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pinckney Community School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' and 'L'.

PINCKNEY COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses?

_____ yes X none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

_____ yes X no

PINCKNEY COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 and 10.556	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



September 18, 2008

To the Board of Education of the
Pinckney Community Schools
Pinckney, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Pinckney Community Schools* (the "District") for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated July 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the *District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the *District's* compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the *District's*

compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the *District's* compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 28, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *District* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed no audit adjustments for the year ending June 30, 2008.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Pinckney Community Schools* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.